

May 20, 2010

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING,
COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA REGARDING REVISED
PROPOSAL ON GENERATED BIDS AND OUTAGE REPORTING FOR
NON-RESOURCE SPECIFIC RESOURCE ADEQUACY RESOURCES**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit the following comments on the ISO's April 6, 2010 Revised Straw Proposal and April 28, 2010 Addendum to the proposal on Generated Bids and Outage Reporting for Non-Resource Specific Resource Adequacy Resources ("Revised Proposal").

The Six Cities support several features in the Revised Proposal. Specifically, the Six Cities support:

- The three proposed options for establishing generated bids, *i.e.*, (1) negotiated, (2) price taker plus GMC, or (3) LMP-based;
- establishment of separate accounts for Non-Resource Specific Resource Adequacy ("NRS-RA") Resources relating to availability payments and penalties for non-availability;
- calculation of availability for NRS-RA Resources based upon SLIC information, provided that the SLIC functionality is tested fully for this purpose and demonstrated to be workable.

The Revised Proposal reflects progress with respect to several issues that concern the Cities, but additional modifications are necessary. First, the Cities appreciate the ISO's willingness to recognize that NRS-RA Resources may become unavailable due to outages of both generation and/or transmission facilities. The Cities request, however, that the ISO clarify in the final proposal that non-availability reports may be based upon partial derates of generation or transmission or operational balancing requirements that reduce (but do not entirely eliminate) availability of the resource. In such circumstances, the SC for the resource should be able to submit a non-availability notice for the NRS-RA capacity affected by the partial derate (*e.g.*, a proportional reduction in the amount of NRS-RA capacity expected to be available if a necessary transmission path is derated).

Second, it is not clear how the ISO proposes to treat derates after the close of the day-ahead market. The proposal suggests that SLIC outage reporting will not be used for such derates, and that it will be up to the SC to adjust schedules in HASP to account for such derates. The ISO should clarify that any such schedule adjustments in the HASP due to derates will not cause the ISO to insert generated bids for the derated amount.

Finally, the ISO's proposal in the Addendum relating to Sub-Set of Hours does not provide sufficient flexibility to accommodate NRS-RA resources that do not conform to the proposed "block" classifications. Several of the Cities have NRS-RA resources from which energy is not continuously available nor available based on the standard block schedules as the ISO proposes to define them in the Addendum. The Six Cities urge the ISO to supplement its Sub-Set of Hours proposal to accommodate such resources as follows:

1) Where the contract terms for the NRS-RA resource are close to but do not precisely match a standard block defined by the ISO, allow the SC for the resource to select the standard block that most nearly fits the contractual terms applicable to the resource and permit a partial exemption from the bidding requirement to the extent of the inconsistency in terms. For example, if a NRS-RA resource provides for availability over a six hour period, five days per week, within the hours definition for the 5x4 standard block, allow the SC for the resource to utilize the 5x4 block.

2) Some contract terms for NRS-RA resources do not provide for availability on a regularized basis or provide for availability on terms that do not match any of the standard blocks. For example, (a) some NRS-RA contract terms are tied to availability of a specific resource or resource portfolio, but the resource(s) would not satisfy all requirements for Resource-Specific System Resources (for example, direct telemetry requirements), or (b) the availability terms for the resource do not match any of the standard blocks (e.g., 5x6 for HE12-17). Under such circumstances, the SC should be permitted to specify a daily energy limit, and the ISO should exempt such a resource from generated bids, similar to the treatment of Use-Limited Resources within the ISO BAA.

Submitted by

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